FRESHWATER FISH

MARKETING

CORPORATION

The World's

Freshwater Fish

Winnipeg Manitoba Canada

102-01865

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CORPORATE PROFILE

The Freshwater Fish Marketing Corporation (FFMC) is a buyer, processor and marketer of premium-quality freshwater fish, harvested from over four hundred lakes in Manitoba, Saskatchewan, Alberta, the Northwest Territories and North-western Ontario. The Corporation has the exclusive right to inter-provincial and international trade and marketing of fish produced within this region.

Established in 1969 by the Freshwater Fish Marketing Act, FFMC is a Federal Crown Corporation. It is self-sustaining with no appropriations from Parliament, and operates with participation of each of the provinces within its mandate. In practice, the Corporation operates much like a producer's co-operative, with commercial fish producers within its territory as the main beneficiaries.

The Corporation sells fourteen species of freshwater fish, in a wide range of fresh and frozen products. Principal species handled are: lake white-fish, pickerel (walleye), sauger (Canadian pike), northern pike, lake trout, lake perch and freshwater mullet. Others include tullibee, carp, burbot (freshwater cod), goldeye, white bass and inconnu.

The Freshwater Fish Marketing Corporation is a buyer, processor and marketer of premium quality freshwater fish, from Manitoba, Saskatchewan, Alberta, the Northwest Territories and Northwestern Ontario.

The real story behind the success of the Corporation lies in the team of people who work together across this immense region and overcome the problems posed by remoteness and distance.

CORPORATE GOAL

The Corporation's goal is to achieve the greatest economic returns possible for the commercial fish producers it serves. All corporate activities are focused on this goal. To achieve this goal, the organization works to provide customers with the highest quality products - consistently and year round. It strives continuously for greater efficiency in all corporate operations, from lake to market.

OBJECTIVES

Three key objectives supporting the corporate goal are:

- To market fish in an orderly manner
- To maximize returns to fish producers
- To promote international markets and increasing trade in fish.

THE TEAM

The underlying success of the Corporation rests with the team of people who work together across this immense region and overcome the problems imposed by remoteness and distance. Our team consists of:

- Over 3500 commercial fishers who fish summer and winter to provide a consistent supply of top-quality products
- A network of 48 agents who grade and purchase fish at lakeside
- The transport companies who move the fish by road, water, rail and air
- The people who operate the Corporation's world class processing plant in Winnipeg
- An efficient and effective network of brokers and distributors who sell our products around the globe

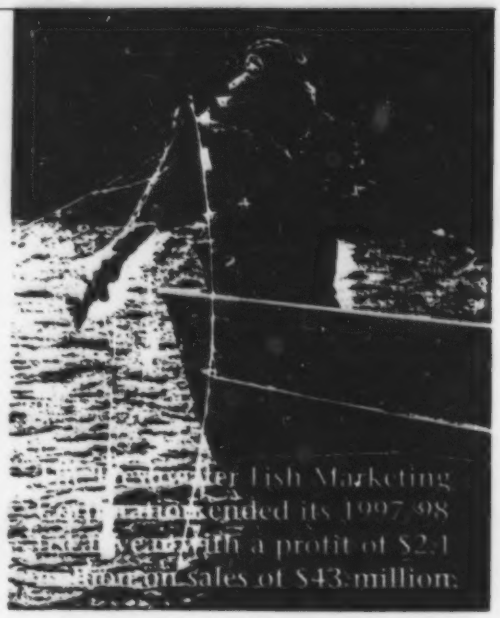
BOARD OF DIRECTOR'S REPORT

Sam W. Murdock
Chairman of the Board
Fisher River, Manitoba

The Freshwater Fish Marketing Corporation ended its 1997/98 fiscal year with a profit of $2.1 million on sales of $43 million. This is a significant improvement over 1996/97 when the same $43-million sales level generated a profit of only $180,000, but still lower than the nine-year average annual profit of $3.4 million.

Profits will be available in the late fall of 1998 for final payments to fishers as outlined on the final payment table on page 8.

The increased profit results from stable markets, favourable foreign exchange rates and slightly lower initial prices for some species. This year's improved financial performance comes in spite of a 12 per cent decrease in total fish production compared to 1996/97.



A BETTER YEAR

Of the six major species handled, only pickerel showed a production improvement this year, up 7.7 per cent. Freshwater mullet, whitefish and sauger all experienced decreases, with mullet production declining the most at 21 per cent. Northern pike and trout production levels remained the same as the previous year's catch.

In terms of sales revenue, lake perch, pickerel and mullet all experienced increases over 1996/97, ranging between 8.6 and 2.9 per cent. Whitefish, sauger, northern pike and lake trout all experienced revenue decreases ranging between 5.3 and 0.5 per cent. Among smaller-volume species, revenues from inconnu decreased by 26 per cent and white bass revenues declined by almost two thirds.

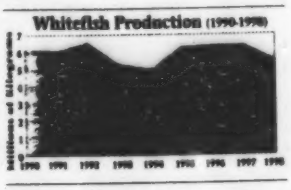
As of April 30, 1998, inventories of frozen products were at desirable levels giving us a good start for 1998/99.

Throughout 1997/98, the Board of Directors, management and staff continued to build on the Corporation's strengths. We are uniquely able to provide a better response to a market of big buyers and sellers than would be possible with all parties competing independently. This is a result of our high-quality products, continuity of supply, and our financial strength derived from fish producers working together under the Freshwater Fish Marketing Corporation umbrella.

MAJOR SPECIES PRODUCTION FOR 1997/98

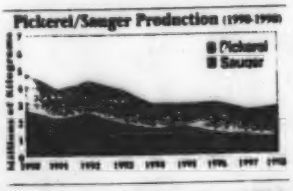
Total deliveries for 1997/98 dropped 12 per cent or 2.3 million kilograms from the previous year to 16.8 million kilograms round weight. Production of our major species for 1997/98 follow.

WHITEFISH



Whitefish production dropped 14 per cent or 900,000 kilograms, with almost the entire decrease being in export whitefish, our most valuable grade. High water in Northern Manitoba hampered fishing in this area, while high winds and generally poor weather contributed to a drop of 230,000 kilograms on Great Slave Lake in the Northwest Territories. The 1997/98 winter in the entire freshwater region was milder than most can remember, negatively affecting conditions for fishing on ice which particularly affected the Lake Winnipeg fishery. Saskatchewan and Alberta, however, both managed very slight increases in whitefish production for 1997/98.

PICKEREL SAUGER

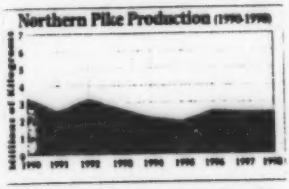


Pickerel landings totaled just over 2.8 million kilograms, a slight improvement over last year, but still 30 per cent below average pickerel landings since 1985. Sauger landings totaled only one million kilograms, down 50 per cent from average landings since 1985, an even greater percentage drop than for pickerel.

This drop in pickerel and sauger production has created real financial challenges for the Corporation and for fishers in the freshwater region. For fishers, lower pickerel and sauger catches translate into lower profits and less money to pay fishing costs. For the Corporation, lower deliveries mean less revenue to pay fixed operating costs to run the Corporation, resulting in lower profitability and less money for initial and final payments to fishers.

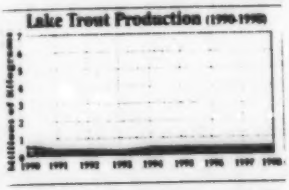
Many in the industry are hopeful the summer of 1998 will bring a turnaround in pickerel and sauger deliveries. Lake Winnipeg is the largest single producer of both species in this region and the 1997 fall fishery showed encouraging signs. With the 1997/98 winter fishery on Lake Winnipeg almost entirely eliminated by an abnormally late freeze up, some fishers are predicting open water production will rebound. The Corporation will be increasing initial payments for pickerel and sauger for 1998/99 to encourage increased deliveries.

NORTHERN PIKE



Northern pike landings in 1997/98 were 2.4 million kilograms, the same level as 1996/97. This matches historical lows and has led to product shortages and inadequate inventory levels.

LAKE TROUT

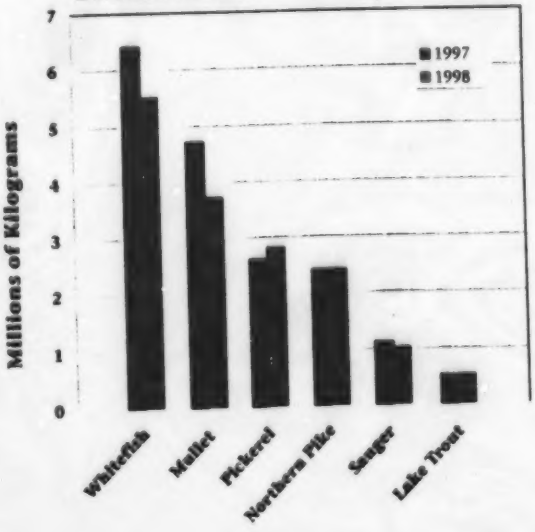


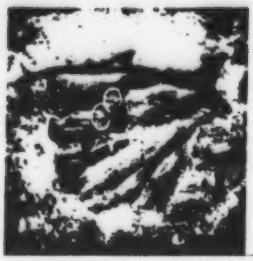
Trout landings in 1997/98 were 500,000 kilograms, the same level as the past five years. Trout sales continued to experience competition from salmon in the North American market.

FRESHWATER MULLET

Deliveries in 97/98 totaled 3.7 million kilograms, down 21 per cent or 1.0 million kilograms from 1996/97. This volume is inadequate to fill our increasing orders and the Corporation will face a major challenge to increase production to the required levels in 1998/99.

Production Summary (1997-1998)





SALES AND MARKETING

The Corporation's strengths were instrumental this year in helping to successfully develop new markets and retain existing customers in the face of tight price competition from other Canadian and international suppliers. In recent years, the Corporation has successfully adopted a policy of matching production to markets, a practice it will continue in order to maximize returns to fishers and minimize costs.

Sales and marketing results for all species handled by the Corporation follow.

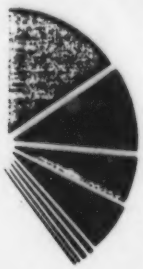
PICKEREL

Pickerel sales were $17.2 million, up 2.9 per cent compared to 1996/1997 sales of $16.7 million. The pickerel market this year has been positive. Even though volumes were lower than expected, we still managed to maintain our position as a price leader. We believe diversifying markets for pickerel products is important as well as continuing to promote stability by serving both European and North American markets.

SAUGER

Sauger sales were $5.4 million, down 4.9 per cent compared to 1996/1997 sales of $5.7 million. In Canada, we sell sauger as baby pickerel. This is a stable market returning relatively good prices. We would like to increase Canadian sales, however, we still depend on Germany for a significant portion of our sauger business. In Germany, European Zander fillets provide our strongest competition, but our longstanding reputation allows us to command a premium price. In the United States, our other major market, sauger is sold under the name "Canadian Pike". Unfortunately, the U.S. government has not allowed us to market sauger as baby pickerel.

MAJOR MARKETS BY SALES REVENUE 1997/98
(millions of dollars)



Canada	15.6%
France	10.8%
Finland	5.9%
Germany	5.9%
Poland	0.7%
Sweden	0.4%
Switzerland	0.2%
England	0.2%
United States	60.3%

LAKE PERCH

Lake perch sales were $1.4 million, up 8.0 per cent compared to 1996/1997 sales of $1.3 million. Brisk lake perch sales all winter left virtually no frozen product on hand at year end, with very good selling prices throughout the year.

Traditionally, most lake perch from this region is sold fresh into Eastern Canadian markets. To provide broader options in the future, we are working to develop our own filleting capabilities in Winnipeg. While we are considered an industry leader for filleting most other species, very specialized processing techniques are required for filleting fish as small and valuable as perch.

WHITEFISH

Whitefish sales were $12.0 million, down 5.6 per cent compared to 1996/1997 sales of $12.7 million. The Corporation is still the largest single seller of whitefish in the world. Our strategy of market diversification is allowing us to overcome potentially serious problems that can arise in individual markets. In Finland, for example, whitefish sales ceased for almost two years because of one isolated case of food poisoning involving smoked whitefish. Although the incident hurt the Corporation, we recovered because of diversification into other markets, including a new market in Poland where we are optimistic of future market growth.

Over the past 12 months, the Corporation also strengthened its North American whitefish market, despite continuing increases in whitefish production from the Great Lakes. This represents a real challenge, not only to the Corporation, but also to the Great Lakes producers who directly compete for market share both with us and among themselves.

The Corporation is the largest single seller of whitefish in the world

In North America, the Corporation also continues to be the largest supplier of whitefish to the Gefilte fish market. In 1997/98, our sales into this important market continued to be strong. We are also the largest world-wide seller of golden whitefish caviar and are continuing to work at diversifying our markets

for caviar in North America and abroad. The caviar market is becoming increasingly competitive as more producers enter the business and as existing suppliers continue to market larger volumes. This is a finite market which will collapse unless efforts are made to diversify into new regions.

NORTHERN PIKE

Northern pike sales were $4.9 million, down 2.6 per cent compared to 1996/1997 sales of $5.1 million. Even though northern pike production is up this year, strong sales have left us with extremely low inventories and we are trying to encourage additional deliveries. The Corporation is still the largest supplier of northern pike to France and the number one supplier of northern pike to the Gefilte fish market.

This year, we have increased our sales volumes and have also increased selling prices. We have had to be cautious in our pricing due to volatile European currency fluctuations.

MULLET

Mullet sales were $3.1 million, up 4.2 per cent compared to 1996/1997 sales of $3.0 million. In 1997/98, we negotiated some very large sales agreements for minced mullet with major export customers. This will allow fishers to produce and deliver large volumes of mullet throughout 1998/99. Filling these large orders also helps provide better service to our smaller, but very important, customers for fresh mullet.

The corporation's strengths were instrumental this year in helping to successfully develop new markets

LAKE TROUT

Lake trout sales were $775,000, down just over one-half of one per cent compared to 1996/1997 sales of $780,000. In lake trout sales, the major competition comes from salmon. A key challenge is the timing of the catch and the delivery of most of our annual trout supply.

The entire catch from Reindeer Lake is produced and delivered within a few weeks in mid-summer. This coincides with retail "truck-load" sales of salmon at retail outlets making sales of any significant volumes of fresh trout difficult.

This year, we expect dressed trout in the two to six pound range to continue to move fairly well, but probably at lower prices than we would like to see. Larger size trout will pose a greater challenge this year. They are usually sold into the smoking market, but with large volumes of salmon available, we expect to see more large trout going for steaking.

WHITE BASS

White bass sales were $42,000, down 63 per cent compared to 1996/1997 sales of $114,000. We have been selling all large white bass produced on Lake Winnipeg, but there is still little demand for the smaller sizes, since Eastern Canadian markets are obtaining all they need from the Great Lakes.

BURBOT

We have been buying limited supplies of burbot in an effort to establish ourselves with selected customers. We hope to increase both volume and prices as our markets develop.

INCONNU

Inconnu sales were $118,000, down more than 26 per cent compared to 1996/1997 sales of $161,000. Inconnu is a fatty fish resembling a large whitefish which is produced on Great Slave Lake. It has mainly been used in the smoked fish trade in the southern United States. However with the growing availability of whitefish, inconnu is loosing it's favored position in the smoked fish market. Our largest single inconnu customer indicates they will no longer pay the price premiums we have been charging for inconnu, and particularly not for the smaller sizes. Offers now proposed are $.50 to $1.00 per pound below past selling prices. With these significant reductions in selling prices, the Corporation can no longer continue to pay as much for inconnu. Although we have been actively looking for alternate buyers, to date, we have been unable to find any large enough to absorb the volumes produced.

STRATEGY FOR 1997/98

Our goal for 1997/98 was to continue to progress on all aspects of our business for the benefit of commercial fishers.

Strategies fall into four key areas:

- Increasing productivity, revenue and profitability
- Developing markets and products
- Balancing product supply and demand
- Improving communications with fishers.

Increasing Productivity, Revenue and Profitability

STRATEGY: *To increase returns to fishers by decreasing fish handling and processing costs at lakeside packing stations and processing plants, through increased use of computerized equipment and improved methods.*

Almost all lakeside packing agents are now using new computer hardware and Fish Purchase System software. Agents are becoming more familiar with the capabilities of the system and are finding it helps them streamline administrative work. We also expect the change to size grading by length for pickerel and sauger will prove to make agent fish packing operations more efficient.

STRATEGY: *Through changes in union contracts, attempt to negotiate more flexibility in the use of seasonal labourers, which would reduce unit costs.*

The current union agreement expires in 1998/99, at which time increased use of seasonal labour will be subject to negotiation.

STRATEGY: *Together with packaging equipment manufacturers, develop machines to form several types of cartons, which are currently made by hand.*

Costs to develop carton-forming equipment specific to our requirements appears to be prohibitive. We are continuing our search to find off-the-shelf equipment suitable for adaptation to our needs.

STRATEGY: *1.5 per cent per year improvement in labour efficiency through improved methods and new technology. This will be at the expense of jobs.*

Historically, low fish production levels adversely affected labour efficiency in the Transcona processing plant.

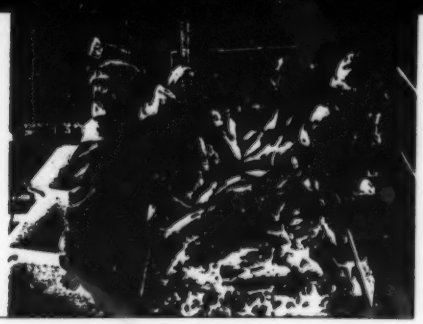
Developing Markets and Products

STRATEGY: *To capitalize on our reputation as a reliable supplier of quality products in both existing markets and potential new markets to increase volumes and/or selling prices.*

Despite tough competition in both domestic and international markets, the Corporation enjoys significant loyalty from its customers. This is based on our reputation, built over many years, which is well-recognized in the industry.

STRATEGY: *To broaden significantly our customer base of northern pike and mullet products.*

Both northern pike and mullet were in very short supply for most of 1997/98, which meant virtually no volume was available to attempt to move into new markets.



Balancing Product Supply and Demand

STRATEGY: *To achieve better timing and volumes of landings of all species, but particularly for whitefish, which takes better advantage of opportunities in the U.S. fresh fish markets and makes more efficient use of our processing plant capacity.*

For whitefish, inventory must be managed to avoid excessive costs for carrying whitefish inventory by influencing production levels. This will be accomplished through continued discussions with provincial natural resource departments, coordination of the timing of fishing seasons directly with fishers' associations, and through more judicious use of premium prices paid to fishers at different times throughout the year.

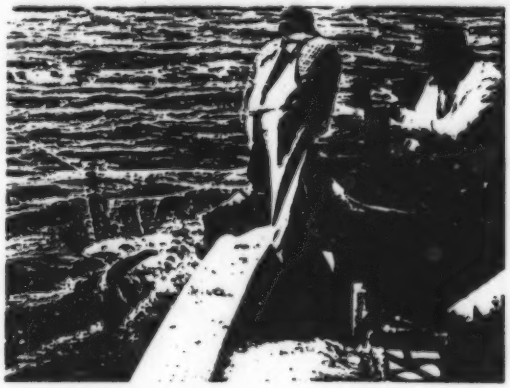
In 1997/98 the Corporation made additional progress to better match whitefish deliveries with market requirements and previous client capacity. Inventories of frozen whitefish products at our April 30, 1998 year-end were lower than for many years. This will pay off in 1998/99 with lower carrying costs and increased production alternatives.

STRATEGY: *To attempt to stimulate the production of prime size (6oz.-12oz.) pickerel fillets to avoid shortages.*

During 1997/98, the Corporation introduced a new system of size grading for small, medium and large pickerel. We moved from a weight standard to a length standard. This was done to make size grading easier. While the introduction of the new system did not go smoothly, accuracy of grading has improved, making it possible to encourage production of medium (prime size) pickerel.

STRATEGY: *To actively encourage more fisher co-ops and/or private individuals to own and operate the lakeside fish packing facilities which are now operated directly by the Corporation, with the intention that the Corporation's direct involvement cease by the year 2000.*

The sale of one lakeside fish packing plant was negotiated in 1997/98 to be effective in 1998/99. This leaves five fish packing plants still owned and operated by FFMC (down from 20 seven years ago).



Improving Communications with Fishers

STRATEGY: *To communicate more effectively with fishers concerning our operations and the benefits to them of single-desk marketing and centralized processing.*

Communication with our 3,500 fishers dispersed over six-million square kilometres continues to be a major priority and a major challenge. In the past, the Corporation has produced and distributed newsletters, annual reports, videos and attended countless fishers' meetings. However, we still feel we need to do more and are exploring options to do a better job cost effectively.

PRODUCTION, SALES AND FINANCIAL OVERVIEW

FINAL PAYMENTS FOR 1997/98

Fiscal Year Ended April 30th

In mid-November 1998, fish producers in the freshwater region will receive $2,132,000 in final payments for fish delivered during the fiscal year ended April 30, 1998. The Corporation's profit of $2,132,000 was generated on total sales of $43.0 million during 1997/98. This compares to a profit during 1996/97 of $180,000 on total sales also of $43.0 million.

SPECIES:		$/LB.	$/KG.
PICKEREL			
	ROUND	.237	.522
	BELLY-SPLIT	.284	.626
	HEADLESS DRESSED	.331	.730
SAUGER			
	ROUND	.212	.467
	BELLY-SPLIT	.254	.560
	HEADLESS DRESSED	.296	.653
NORTHERN PIKE		.021	.046
GOLDEYE		.105	.231
PERCH		.297	.655

HISTORICAL SUMMARY OF LANDINGS IN ROUND WEIGHT (1990-1998)

(Millions of Kilograms)
Fiscal Year Ended April 30th

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Whitefish	6.2	6.1	6.6	5.3	5.0	6.3	6.4	6.4	5.5
Pickerel	4.9	3.9	4.4	3.9	3.0	3.0	3.1	2.6	2.8
Sauger	2.7	2.2	2.5	1.9	1.5	1.7	1.3	1.1	1.0
Northern Pike	3.3	2.5	3.2	2.6	2.1	1.9	2.5	2.4	2.4
Lake Trout	0.7	0.4	0.4	0.3	0.5	0.5	0.5	0.5	0.5
Tullibee	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.1
Lake Perch	0.5	0.4	0.5	0.3	0.1	0.4	0.5	0.3	0.2
Mullet	1.5	1.0	4.7	0.8	1.1	0.9	3.7	4.7	3.7
Carp	0.3	0.7	0.7	0.1	0.4	0.4	0.4	0.5	0.4
Other	0.4	0.4	0.5	0.5	0.1	0.1	0.3	0.3	0.2
Totals	**20.7**	**17.7**	**23.6**	**15.9**	**14.0**	**15.2**	**18.7**	**19.1**	**16.8**

HISTORICAL FINANCIAL SUMMARY (1990-1998)

(ALL AMOUNTS IN MILLIONS OF DOLLARS)
Fiscal Year Ended April 30th

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Sales	49.4	52.1	51.3	45.8	38.8	43.7	47.1	43.0	43.0
Net Income Before Final Payments	2.0	2.2	6.3	6.9	3.3	4.5	2.7	0.2	2.1
Initial Payments To Fishers	25.0	21.1	29.9	23.2	18.6	24.8	30.3	25.4	22.1
Net Income Plus Initial Payments To Fishers	27.0	23.3	36.2	30.1	21.9	29.3	33.0	25.6	24.2
Accounts Receivable - Trade	6.1	5.0	5.7	3.2	3.6	4.2	4.5	4.6	3.4
Inventory – Finished Fish Products	10.5	1.3	4.9	5.3	2.8	3.5	6.7	7.0	4.7
Inventory – Packaging Material and Parts	1.5	1.2	1.2	1.1	1.0	0.9	1.1	1.1	1.1
Capital Assets – Net Book Value	8.8	9.2	8.6	8.0	7.3	7.6	7.5	7.0	6.1
Loans Payable	21.0	9.9	9.0	6.0	6.6	7.0	11.1	13.2	7.1
Retained Earnings*	3.3	3.4	3.8	4.0	4.2	4.2	4.2	4.2	4.2

***Retained Earnings**

Over the years, the Corporation has gradually built up "retained earnings" totaling $4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached $4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduces the Corporation's dependency on external financing from banks thereby enabling the Corporation to reduce annual interest costs. Although $4.2 million in retained earnings is low for a business the size of the FFMC, it provides at least some security against major unexpected downturns in the market or extremely serious financial setbacks.

WHERE OUR SALES DOLLAR WENT (1990-1998)

TOTAL AVAILABLE FOR FISH PRODUCERS ($.62) 62%

Agents Packing Allowances ($.09) 9%

Tub Expenses ($.01)1%

Selling and Administrative Expenses ($.05) 5%

Interest & Cold Storage Charges ($.03) 3%

Transcona Plant Overhead ($.08) 8%

Plant Wages ($.10) 10%

Packaging Expenses ($.02) 2%

FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

[illegible] the freshwater fish [illegible] Corporation [illegible] statements [illegible] best estimates and [illegible] consistent with [illegible] statements, management [illegible] designed to provide [illegible] proper books and records [illegible] conduct of business [illegible] the adherence to the [illegible] the Corporation's policies and statutory requirements.

The Board of Directors [illegible] responsibilities for financial [illegible] and internal control [illegible] Directors, who have full and [illegible] access to the Board.

The Corporation's external [illegible] responsible for auditing the [illegible] and financial statements [illegible] and expresses [illegible]

Tom Dunn
Executive Vice-President

Gabriela Bradacs
Controller

Ottawa, Canada
[illegible] 1998

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1998 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with [illegible] principles applied on a basis consistent with that of the preceding year.

In my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith and with the information set forth in the Financial Administration Act.

[illegible]
[illegible]
[illegible]

	1998	1997
ASSETS		
	$ 179	$
	3,627	4,951
	5,815	8,115
	75	81
	9,696	13,147
	-	21
	6,116	6,970
	$ 15,812	$ 20,138
LIABILITIES		
	-	$ 157
	4,538	2,724
	7,121	13,204
	11,659	15,985
RETAINED EARNINGS		
	4,153	4,153
	$ 15,812	$ 20,138

1998	1997
$ -	$
1,236	1,588
30	(118)
3,408	(321)
4,674	1,149
(422)	(1,185)
105	113
10	284
(307)	(788)
(6,083)	3,531
(6,083)	3,531
1,952	(2,568)
236	1,324
(57)	(1,381)
$ 179	$ (57)

NOTES TO FINANCIAL STATEMENTS

April 30, 1998

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the Freshwater Fish Marketing Act for the purpose of processing and trading in fish, fish products and fish by-products in and outside Canada. The Corporation is authorized to purchase all fish legally caught in the freshwater regions which encompasses the provinces of Saskatchewan, Manitoba, parts of northwestern Ontario and the Northwest Territories. The operations in these provinces and territory was established by an agreement with the Government of Canada.

The Corporation is an agent Crown corporation and is subject to the Financial Administration Act. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed $

The Corporation has the exclusive right to trade and market the products in the commercial export, interprovincial and export basis and exercises that right with the objective of maintaining an orderly manner, maximizing returns to fishers, promoting international trade, interprovincial and export trade in fish, fish products and fish by-products.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are recorded at the actual cost of fish purchased throughout the year and the average actual cost for direct labour and overhead directly related to processing. At year end finished fish products are valued at the lower of cost and net realizable value. Operating materials are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and rates:

Buildings	Lake stations	straight line
	Plant	straight line
Equipment	Machinery and office equipment	Declining balance
	Automotive	Declining balance
Fresh fish delivery tubs		straight line
Vessels		straight line

The costs for systems under development and plant assets being upgraded or enhanced, that are not yet operational, are charged to construction in progress. When the assets become operational they are transferred to the appropriate capital asset category and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based on forecasts prepared by the Corporation and the cost of such purchases is recorded in the year. Additional payments to fishers, if any, are approved by the Board of Directors and are recorded in the year's results of operations for the year and are excluded from the determination of the final payments in respect of products purchased during the year and on hand at the end of the year. After the final payments are established, any remaining income is retained

Foreign currency translation

Amounts receivable and payable denominated in foreign currencies are translated at the year-end exchange rate. Transactions in foreign currencies are recorded at the time of the transaction. Foreign exchange gains and losses are recorded in interest expense.

Pension plan

Employees of the Corporation participate in the Public Service Pension Plan of the Government of Canada. The employees and the Corporation contribute to the cost of the Plan. The obligations of the Corporation are limited to its contributions with respect to current service.

3. ACCOUNTS RECEIVABLE

	1998	1997
	$ 3,481	$ 604
	146	263
	-	84
	$ 3,627	$ 4,951

4. INVENTORIES

	1998	1997
	$ 4,674	$ 7,019
	1,141	1,096
	$ 5,815	$ 8,115

5. CAPITAL ASSETS

	1998			1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	$ 259	$ -	$ 259	$ 258
	6,799	4,217	2,582	2,754
	15,114	12,471	2,643	3,198
	735	308	427	431
	332	185	147	168
	58	-	58	161
	$ 23,297	$ 17,181	$ 6,116	$ 6,970

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1998	1997
	$ 1,234	$ 1,442
	1,172	102
	2,132	180
	$ 4,538	$ 2,724

7. LOANS PAYABLE

	1998	1997
	$ -	$ 7,000
	5,721	97
	1,400	7,500
	$ 7,121	$ 13,204

9. SALES COMMISSIONS

9. INTEREST EXPENSE

	1998	1997
	$ 665	[illegible]
	73	[illegible]
	22	[illegible]
	$ 760	[illegible]

10. INCOME TAXES

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

12. CONTINGENCY

13. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE